

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendrayner
Marshall Johnson
Ken Nickolai
Thomas Pugh
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Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of Northern States Power d/b/a
Xcel Energy's Petition for Approval of the
2005 Review of Nuclear Plant
Decommissioning

ISSUE DATE: July 20, 2006

DOCKET NO. E-002/M-05-1648

ORDER APPROVING ACCESSIBLE
ESCROW FUND

PROCEDURAL HISTORY

On October 11, 2005, Northern States Power d/b/a Xcel. Energy (Xcel) filed a *Petition for Approval of the 2005 Review of Nuclear Plant Decommissioning* (Petition).

On December 23, 2005, the Department of Commerce (the Department) filed comments on Xcel's Petition.

On May 23, 2006, the Commission issued its *Order Setting End-of-Life Dates and Other Guidelines for Nuclear Decommissioning Accrual*. The Order states at Ordering paragraph 1:

Xcel and Department shall work together to prepare a proposed external account to submit to the Commission for approval.

In compliance with the Order, Xcel conferred with the Department regarding a proposed external account.

On May 8, 2006, Xcel filed its Petition for Approval of the 2006 Nuclear Decommissioning Accrual, setting forth its proposed Escrow Agreement.

On June 2, 2006, the Department filed its comments on the compliance filing, recommending approval of the Escrow Agreement.

On July 13, 2006, the Commission met to consider the matter.

FINDINGS AND CONCLUSIONS

Nuclear Regulatory Commission (NRC) regulations require external funding to be available when nuclear operations cease. The regulations restrict withdrawals from an external decommissioning fund to only decommissioning costs until all such costs have been satisfied. Thus, no matter how over-funded the external fund may be, the excess monies in the external fund cannot be returned to ratepayers until such time as decommissioning is complete.

In order to prevent inequities among ratepayers, Xcel proposed that the Commission approve an alternative trust account for the annual accrual. The alternative trust account would allow for greater flexibility and an earlier return of excess monies to ratepayers in the event that the collected funds are no longer needed for decommissioning. The Department also recognized the potential for over-funding, and expressed support for an alternative funding mechanism, so long as the funds could be adequately protected.

On May 8, 2006, Xcel filed its proposed accessible escrow fund for Commission approval. Its proposal would establish an Escrow and Custody Agreement between Xcel and Mellon Bank, the custodian.

The Escrow Agreement includes, *inter alia*, the following relevant provisions:

1. The fund will receive decommissioning payments as required by the Commission;
2. There will be three separate accounts – one for each nuclear generation unit – within the escrow fund;
3. The custodian will invest and reinvest the funds in accord with directions from Xcel or the investment manager.
4. The Agreement provides that in the event the custodian becomes unavailable, he or she may be discharged from duties. The company may designate a successor custodian, or if it fails to do so, the Commission may appoint a successor custodian.

The Commission finds that the proposed Escrow Agreement will provide the desired flexibility and protections and is therefore in the public interest. The Commission will therefore approve the Xcel's compliance filing.

ORDER

1. Xcel's Petition for Approval of the 2006 Nuclear Decommissioning Accrual and proposed Escrow Agreement is approved.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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